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January 2015 COLA Set at 2% to Keep Pace with Inflation

The PSRS/PEERS Board of Trustees set the 2015 cost-of-living adjustment (COLA) at 2% during their August 25, 2014 meeting. Eligible benefit recipients will receive the COLA effective with January 30, 2015 benefit payments. (For a complete list of 2015 benefit payment dates, see page 2.)

PSRS/PEERS provides COLAs for eligible benefit recipients to help their retirement income keep pace with the cost of living during times of inflation. According to the Consumer Price Index for Urban Consumers (CPI-U) as measured by the U.S. Bureau of Labor Statistics, the rate of inflation July 1, 2013 to June 30, 2014 was 2.07%.

How COLAs are Determined

The Board follows the guidelines set in Missouri law with regard to COLAs. In addition, since August 2011, PSRS/PEERS COLAs have been determined according to the Funding Stabilization Policy adopted by the Board of Trustees. This policy has helped stabilize contribution rates and improve the pre-funded status of the Systems, while also providing inflation protection for benefit recipients.

"The Board understands how important this inflation protection is to our retirees," said Board Chairman, Aaron Zalis. "We are pleased that our funding policy has allowed us to continue to provide COLAs while also safeguarding the Systems' solid funding status."

Under the policy, the COLA can range between 0% and 5%, and is based on the change in the CPI-U for the preceding fiscal year (July 1 to June 30).

Funding Stabilization Policy	
Change in CPI-U	COLA
Less than 0%	0%
0%-5%	2%
5% or more	5%

Who is Eligible for COLAs

PSRS service and disability retirees are eligible for COLAs on monthly benefits beginning the second January following their retirement date. For example, a PSRS member who retired July 1, 2014 is eligible for COLAs in January 2016.

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PSRS/BENEFIT Check

JANUARY 2015 COLA SET AT 2% TO KEEP PACE WITH INFLATION,
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PSRS members are no longer eligible to receive COLA's once they reach the 80% COLA cap. The chart below summarizes PSRS COLA eligibility.

PSRS January 2015 COLA Eligibility	
Retired in 1987 and earlier	You have reached your 80% COLA cap
Retired in 1988	0.58% COLA
Retired in 1989-2013	2.00% COLA
Retired in 2014	Not yet eligible for a COLA

PSRS/PEERS qualified beneficiaries can also receive COLAs.

If you are eligible for a COLA, it will be effective with your January 30, 2015 benefit. You will receive information regarding your new benefit amount in your annual **Benefit Statement**, mailed in January. Information will also be available by logging in to view your membership information online at www.psrs-peers.org.

2015 Direct Deposit Schedule

Your benefits are paid by direct deposit on the last working day of each month. The schedule of direct deposit dates can also be found on our website, www.psrs-peers.org.

2015 Direct Deposit Schedule	
Payment for:	Will be Deposited:
January	January 30
February	February 27
March	March 31
April	April 30
May	May 29
June	June 30
July	July 31
August	August 31
September	September 30
October	October 30
November	November 30
December	December 31

PSRS Fiscal Year 2013-2014 Investment Return Exceeds Goal, Adds Almost \$4 Billion in Assets

PSRS Return: 16.9%

The Public School Retirement System of Missouri's (PSRS) strong investment program, paired with substantial returns in the global stock market, resulted in an investment return of 16.9% for the fiscal year ended June 30, 2014. This return is well above the 8% investment return goal set by the Board. PSRS' market value of invested assets increased through investment earnings by almost \$4 billion from the previous year.

"Our long-term goal is to provide consistent and meaningful investment returns to support the retirement benefits of our members," says Steve Yoakum, PSRS/PEERS executive director. "Our internal investment staff is committed to managing the Systems' assets in a prudent manner that will ensure the viability of the pension for each Missouri educator. For the second consecutive year, we added significant value above our investment benchmark, which helps maintain consistent contribution rates for all of our members and school districts."

The total plan return of 16.9% exceeded both the long-term investment goal (actuarially assumed return) of earning 8%, and the total plan policy benchmark* return of 15.5%.

Over long periods of time, PSRS also continues to produce investment returns that exceed the System objectives. The annualized investment return for PSRS over the last 30 years is 9.9%.

2013-2014 Investment Returns

PSRS Investment Return	16.9%
PSRS Return Goal	8.0%
Benchmark Return	15.5%

For fiscal year 2014, the PSRS internal investment staff and external investment managers added over \$375 million in value above the policy benchmark, net of all fees and expenses.

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BENEFIT Check PSRS

PSRS FISCAL YEAR 2013-2014 INVESTMENT RETURN EXCEEDS GOAL, CONTINUED FROM PAGE TWO

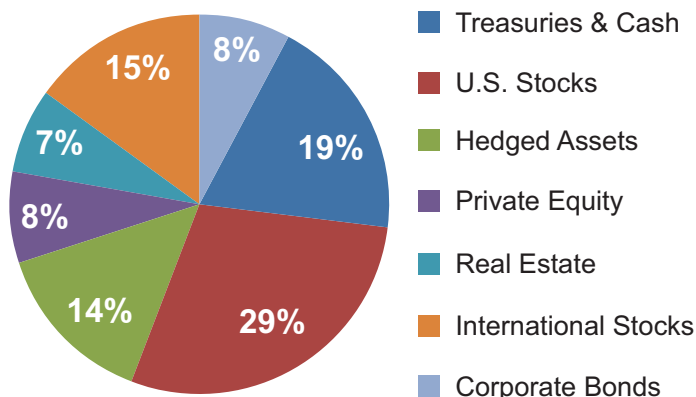
The actuary for PSRS will present a report on the assets and liabilities of the Systems at the October 27, 2014 Board of Trustees meeting.

Based on the robust investment returns in fiscal year 2014, it is expected that the pre-funded status of the System will increase, indicating the continued strong financial health of PSRS.

Additionally, the above average investment returns will likely allow the 14.5% member contribution rate and the 14.5% employer contribution rate to remain stable for the 2015-2016 school year (the fourth consecutive year of no contribution rate increases).

As we begin fiscal year 2015, we are mindful of the fact that it will become increasingly more difficult to achieve an 8% return in the near term, due in part to historically low interest rates. As a large institutional investor, we believe that we are particularly well suited to navigate upcoming markets given our ability to invest over a 30-year time horizon. The following chart indicates the PSRS asset allocation, which is highly diversified among a number of different investment classes.

**PSRS/PEERS Asset Allocation
as of June 30, 2014**



The asset allocation is balanced with a significant distribution to return-seeking assets such as stocks and private equity but also a healthy allocation to more defensive investments such as Treasury securities, cash and hedged assets. As the stock market continues to reach new highs, we believe it is prudent to maintain a structured portfolio that has an opportunity to participate if the markets continue to move higher, but also has substantial downside protection in the event of a market correction.

PSRS 2013-2014 Returns (by Asset Class)

U.S. Stocks.....	25.9%
Private Equity.....	25.8%
International Stocks	21.7%
Hedged Assets.....	15.8%
Real Estate	13.9%
Treasuries.....	1.9%

The market value of invested assets for PSRS and the Public Education Employee Retirement System of Missouri (PEERS) combined were approximately \$37.9 billion on June 30, 2014, making the joint entity larger than all other public retirement plans in Missouri combined, and the 44th largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at www.psrs-peers.org.

**The plan policy benchmark is a standard to measure investment performance and indicates the return of the PSRS asset allocation if passive market rates of return were achieved.*

Be on the Lookout for Important Documents Regarding Your Benefit

In January, you will receive your annual PSRS **Benefit Statement**. The **Benefit Statement** is a comprehensive summary of your PSRS membership and your monthly benefit as of January 30, 2015. This important document is a record of your:

- Benefit amount
- Tax information and withholding amounts
- Benefit plan and benefit history
- Cost-of-living adjustments (COLAs)
- Beneficiary designation

Your 2014 IRS Form 1099-R will also mail in January. You will need this form when filing your 2014 income tax returns.

Your annual Form 1099-R shows the total funds you received from PSRS in calendar year 2014, the taxes withheld and the dollar amounts considered taxable income. If you have a professional tax advisor, we suggest that you make this information available for his or her review.



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PSRS BENEFIT Check

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Visit our Updated Website



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Visited us online lately? If not, visit our new and improved website,
www.psr-peers.org.

The updated site provides quicker, easier access to information about your retirement system and benefits in an easy-to-navigate new look.

In addition to forms, publications and the latest retirement news, you can use the secure website to view your personal membership and benefit information, COLA history, tax documents and more. If you haven't already, register for access to your membership information.

And for those of you who need your information on the go, you will be happy to know that the new site is designed to work smoothly on your laptop, tablet or smartphone, making it even easier to get the information you need anytime you need it.

Check us out today at **www.psr-peers.org**.

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